



Statewide Email Rate Plan

Action Item

Recommendation: Approve DTS plan for Email Rate Changes

Introduction

DTS is now concluding Phase 2 of the Statewide Email Project, which aligns our email service to industry best practices and allows for significant growth in the service from the existing 18,000 mailboxes of nine state and local agencies.

This service provides reliable and secure email access with 24 X 7 Service Desk support. The service also provides: support for Blackberry devices, virus protection, Spam filtering, data backup and recovery, a Statewide global address list, and free/busy calendaring ability across the departments using the service.

Over the next few months, the Statewide Email service will be enhanced, at no additional cost, to include higher availability using system redundancy. It will also provide a tool to allow customers to perform their own departmental administration to update, add and delete staff, while leaving the technical administration to DTS.

On September 1, DTS began migrating new departments to the service. DTS anticipates moderate growth in the service, especially from organizations that are already in need of such a service. Others will wait until Phase 3 of the project—the phase that will collect and analyze the broadest range business requirements and then architect, design, build and implement a service that can support the needs of 100,000 or more Exchange users¹—is near completion.

¹ 100,000 target extrapolated from a Dept. of Finance study of email systems showing 83,152 Exchange users and 111,901 mailboxes as of June 15, 2004. Stakeholders will set the actual target for the project/program.



Proposed Plan for Rate Changes

DTS is working to develop a new cost model that will reduce the cost to provide per mailbox email service (based on the base price for a 50 megabyte mailbox). Once the new budget model is in place, customers will be credited retroactively to September 1, 2006.

DTS must consider many factors when setting a new rate. Lower rates provide an incentive for customers to adopt the service and do not penalize early adopters. This must be balanced against the risk of significantly under-recovering costs, increasing rates, or wasting state resources, or not being able to pay for new features/services in the future. DTS must also conform to the rate setting principles approved at the March 2006 TSB meeting. Our plan for adopting the new rate has two steps.

1. Publish the following “Planning Rate” in September

- Reduce the Basic Mailbox to approximately \$6 per mailbox/mo² (compared to the current rate of \$9.37). This reduction is based on a reasonable customer adoption rate¹ to mitigate financial risks and allow for service expansion and growth.
- Increase Blackberry costs to approximately \$6.50/user/mo² (compared to the current rate of \$2.38). DTS is currently under-recovering on this add-on service. The Blackberry service requires \$2 per month for licensing fees alone in addition to significant administrative and hardware costs. DTS hosts Exchange email as well as Blackberry email. Therefore, most customers will experience an overall net decrease in costs due to the reduction in cost per mailbox.
- Maintain current rates for storage, but add a new subscription tier. DTS will add a 500MB subscription tier between the 200 MB tier (currently \$13.37/mo) and 1 GB tier (currently \$34.65/mo). The new tier will give customers more flexibility in provisioning email storage to their end users and more stability in the size of their DTS bills. Any additional revisions in storage rates will occur as part of the mid-year rate package or Phase 3.
- Bill the customer for migration costs with ability to pay over a 24 month period. This recommendation avoids transferring costs between customers, makes the costs transparent, and gives departments budget flexibility at the same time.

2. Include proposed email rate in the mid-year rate process

² Actual rate will vary based on features included and volume of customer adoption assumptions.



The proposed email rate will be part of the mid-year rate process, including specific calculations and methodology for the proposed email rate. The proposed email rate schedule will be effective retroactively to September 1, 2006.

This will enable DTS to address the Rate Setting Principles adopted at the March 2006 TSB meeting and will provide DTS with more time to evaluate customer demand and organizational capacity in order to establish a justifiable customer adoption assumption.